

\$32.00

Taylor, Morell & Gitomer

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April 20, 1993

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RECORDATION NO. 17977-*FD* FILED 1425

Direct Dial: (202) 466-6532

APR 20 1993 3-35 PM

3-110A041

INTERSTATE COMMERCE COMMISSION

Honorable Sidney L. Strickland
Secretary
Interstate Commerce Commission
Washington, DC 20423

RECORDATION NO. 17977-C FILED 1425

APR 20 1993 3-35 PM

INTERSTATE COMMERCE COMMISSION

Dear Secretary Strickland:

I have enclosed the original and four certified copies of two documents described below, to be recorded pursuant to 49 U.S.C. § 11303.

The first document is a Security Agreement, a secondary document, made April 20, 1993, and the second document is an Assignment of Lease, a secondary document, dated April 20, 1993. The primary document to which these are connected is recorded under Recordation No. 17977. We request that these documents be recorded under Recordation Nos. 17977-C and 17977-D.

The names and addresses of the parties to the Security Agreement are as follows:

Debtors:

American Finance Group
Exchange Place
Boston, MA 02109

U.S. Trust Company of California, N.A., as Owner Trustee
555 Flower Street
Los Angeles, CA 90071

Lender:

National Westminster Bank USA
175 Water Street
New York, NY 10038

The names and addresses of the parties to the Assignment of Lease are as follows:

C. A. [Signature]

Consent under these parties

Honorable Sidney L. Strickland, Jr.
April 20, 1993
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Assignor:

U.S. Trust Company of California, N.A., as Owner Trustee
555 Flower Street
Los Angeles, CA 90071

Assignee:

National Westminster Bank USA
175 Water Street
New York, NY 10038

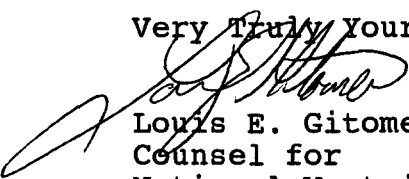
A description of the equipment covered by the documents consists of 20 SD45-2 diesel electric locomotives numbered SP 7400, 9194, 9245, 9254, 9294, 9273, 9300, 9308, 9328, 9337, 9345, 9359, 9362, 9373, 9385, 9392, 9395, 9400, and 9401.

A fee of \$32.00 is enclosed. Please return the originals and three of the certified copies to:

Louis E. Gitomer
Taylor, Morell & Gitomer
Suite 210
919 18th Street, N.W.
Washington, DC 20006

A short summary of the documents to appear in the index follows: (1) a Security Agreement, made April 20, 1993 among American Finance Group, Exchange Place, Boston, MA 02109, U.S. Trust Company of California, N.A., as Owner Trustee, 555 Flower Street, Los Angeles, CA 90071, and National Westminster Bank USA, 175 Water Street, New York, NY 10038; and (2) an Assignment of Lease made by U.S. Trust Company of California, N.A., as Owner Trustee, 555 Flower Street, Los Angeles, CA 90071, in favor of National Westminster Bank USA, 175 Water Street, New York, NY 10038; both documents covering 20 SD45-2 diesel electric locomotives numbered SP 7400, 9194, 9245, 9254, 9294, 9273, 9300, 9308, 9328, 9337, 9345, 9359, 9362, 9373, 9385, 9392, 9395, 9400, and 9401.

Very Truly Yours,



Louis E. Gitomer
Counsel for
National Westminster Bank USA

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SECURITY AGREEMENT

INTERSTATE COMMERCE COMMISSION

AGREEMENT, made this 20th day of April, 1993, by and among **AMERICAN FINANCE GROUP**, a Massachusetts general partnership, with an office at Exchange Place, Boston, Massachusetts 02109 ("**AFG**"), **U.S. TRUST COMPANY OF CALIFORNIA, N.A.**, a national banking association ("**U.S. Trust**"), with an office at 555 South Flower Street, Los Angeles, California 90071 (the "**Trustee**"), in its individual capacity only as expressly stated herein and otherwise solely as Owner Trustee under the Trust Agreement (the "**Trust Agreement**") dated as of March 31, 1993 among AFG and AFG INVESTMENT TRUST C, a Delaware business trust ("**AFGITC**"), as Owner Participants (collectively, the "**Owner Participants**"), and U.S. Trust, as Owner Trustee (in such capacity, the "**Owner Trustee**"; AFG and the Owner Trustee being hereinafter referred to collectively as the "**Debtors**" and sometimes each, individually, as a "**Debtor**"), and **NATIONAL WESTMINSTER BANK USA**, a national banking association, with an office at 175 Water Street, New York, New York 10038 (the "**Bank**").

W I T N E S S E T H:

WHEREAS, AFG has entered into a certain Loan Agreement dated as of July 31, 1992 (hereinafter, as it may from time to time be amended or supplemented, referred to as the "**Loan Agreement**") with the Bank pursuant to which the Bank has agreed to lend to AFG a sum not in excess of Fifteen Million (\$15,000,000) Dollars, upon and subject to the terms and conditions of the Loan Agreement; and

WHEREAS, AFG has requested that the Bank make a Loan to it under the Loan Agreement in the amount of \$5,200,000 (the "**Railcar Loan**"), the proceeds of which are being contributed to the Owner Trustee to enable the Owner Trustee to acquire certain Rebuilt Diesel Electric Locomotives described on Schedule A hereto (the "**Equipment**"); and

WHEREAS, in consideration of the Railcar Loan to AFG and the contribution thereof to the Owner Trustee, concurrently herewith the Owner Trustee is entering into a certain Guaranty of even date herewith (the "**Guaranty**") pursuant to which the Owner Trustee has guaranteed payment and performance of the Railcar Loan and the other Obligations; and

WHEREAS, it is a condition precedent to the obligation of the Bank to make the Railcar Loan that the Debtors shall execute and deliver this Security Agreement;

NOW, THEREFORE, in consideration of the premises and in order to induce the Bank to make the Railcar Loan pursuant to the Loan Agreement, it is hereby agreed as follows:

1. Definitions

The terms equipment, fixtures, inventory, accounts, chattel paper, instruments, documents, general intangibles and proceeds shall have the respective meanings ascribed thereto in the Uniform Commercial Code as in effect in the State of New York.

2. Security Interest.

To secure the due payment and performance of all of the indebtedness, liabilities and obligations of the Debtors, and each of them, arising in connection with the Railcar Loan, and all other indebtedness, liabilities and obligations otherwise arising under the Loan Agreement, including, without limitation, all indebtedness, liabilities and obligations arising under this Security Agreement, the Guaranty and any other agreements and instruments being executed and delivered in connection herewith or therewith (collectively, the "Obligations"), (a) the Owner Trustee hereby assigns, mortgages, pledges, hypothecates, transfers and sets over to the Bank all of its right, title and interest in, to and under, and grants a first lien upon and security interest in: (i) Lease Supplement No. A-2, A-3 and A-4 (the "Lease Supplements") effective as of March 31, 1993 to that certain Equipment Lease (the "Equipment Lease") dated as of March 31, 1993 by and between the Owner Trustee and Southern Pacific Transportation Company (the "Lessee"), including, without limitation, all Appendices thereto, all rights under the Equipment Lease to the extent, and only to the extent, related to the Lease Supplements and all of its rights to the receipt of rentals and all other amounts payable thereunder, of every kind and description, all guaranties, warranties and indemnities in respect thereof, and all of its accounts, contract rights, general intangibles and chattel paper arising thereunder, (ii) all equipment and inventory (the "Equipment") listed on Schedule A hereto, including all accessions, additions and parts thereto, all warranties and rights against manufacturers and suppliers in connection therewith, all insurance thereon and all insurance proceeds payable in connection thereon and (iii) all proceeds and products of the foregoing (the items in parts (i), (ii) and (iii) being collectively referred to as the "Railcar Collateral"); and (b) AFG hereby assigns, mortgages, pledges, hypothecates, transfers and sets over to the Bank all of its right, title and interest in, to and under, and grants a first lien upon and security interest in all of AFG's right, title and interest in, to and under the Trust Agreement and the trust created thereunder (the "Trust"), together with all estates and interests therein and thereto, and all rights, powers and privileges thereunder or in respect thereof, any and all payments thereunder or in respect thereof to which AFG may become entitled and all proceeds and products of the foregoing (collectively, the "Trust Collateral"); (all of the items described in this paragraph being hereinafter collectively referred to as the "Collateral").

3. Debtors' Title; Liens.

(a) U.S. Trust represents and warrants, in its individual capacity and as Owner Trustee, that it is the sole owner of title to the Equipment to the extent conveyed thereto by General Motors Corporation, Electro-Motive Division, free and clear of any liens, claims or encumbrances (the "Liens") which result from claims against U.S. Trust in its individual capacity, and U.S. Trust has not by affirmative act, either in its individual capacity or as Owner Trustee, conveyed any interest in the Railcar Collateral to any Person or subjected the Railcar Collateral to any Lien except pursuant to the Security Documents. U.S. Trust shall, at its expense, promptly take such action as may be necessary to duly discharge any Liens on the Railcar Collateral which result from claims against the Owner Trustee in its individual capacity or which arise from actions of the Owner Trustee other than actions taken in accordance with instructions from the Owner Participants pursuant to the Trust Agreement. Without limiting the foregoing, there is no financing statement or other filed or recorded instrument signed by the Owner Trustee on file in any public office covering any of the Collateral, except for the financing statements or other instruments filed or to be filed in favor of the Bank pursuant to the Security Documents.

(b) The Owner Trustee represents and warrants that it is the sole owner of the Railcar Collateral and AFG represents and warrants that it is the sole owner of the Trust Collateral, in each case with good and marketable title thereto, free from any and all Liens, except for the Lien under the Security Documents and, except with respect to the Trust Collateral, the Liens described in Section 7.2(e) of the Loan Agreement.

(c) The Debtors will not create and AFG shall not assume or permit to exist any Lien on or against the Collateral except as created by this Security Agreement, AFG shall promptly notify the Bank of any such other Lien made or asserted against the Collateral and AFG shall defend the Collateral against, and promptly take all such action as may be necessary to remove, any such Lien. AFG shall cause the Liens granted to the Bank pursuant to this Security Agreement to at all times be first priority duly perfected Liens, subject to no other Liens except, with respect to Collateral other than the Trust Collateral, those permitted under Section 7.2(e) of the Loan Agreement. The Debtors represent and warrant that no action, including any filing or recording of any document, is necessary in order to afford protection to the Bank under applicable law in connection with the creation or enforcement of its security interest hereunder or to perfect the Bank's security interest granted hereunder as a duly perfected first priority security interest in the Collateral and the proceeds thereof, other than, with respect to the Trust Collateral, the filing of Uniform Commercial Code ("UCC") financing statements with the Secretary of State of Massachusetts and the City Clerk of Boston, with respect to the Railcar Collateral, other than the Equipment, the filing of UCC financing statements with the Secretary of State of California,

and with respect to the Equipment, the filing of the Security Agreement and the Assignment of Lease of even date herewith by the Owner Trustee in favor of the Bank (the "Lease Assignment") with the United States Interstate Commerce Commission (the "ICC")

4. Representations and Warranties with respect to Trust and Trust Collateral.

AFG hereby represents and warrants as follows:

(a) Annexed hereto as Exhibit A is a true and complete copy of the Trust Agreement. The Trust Agreement is in full force and effect and has not been amended, modified or supplemented in any manner;

(b) AFG's right, title and interest in, to and under the Trust and Trust Collateral constitutes not less than 65% of the beneficial interest in such Trust, the remaining beneficial interest is held by AFGITC and the Trust is a duly formed and validly existing trust;

(c) Neither AFG nor AFGITC nor anyone acting on behalf of either of them has directly or indirectly offered an interest in the Trust Collateral for sale to, or solicited any offer to acquire the same from, any person; and

(d) Each of AFGITC and AFG has performed all its covenants and agreements under the Trust Agreement and is not in default thereunder.

5. Names of the Debtors.

AFG represents and warrants that, other than the names "AFG Leasing and "AFG", it utilizes no trade names in the conduct of its business. U.S. Trust represents and warrants that it utilizes no trade names in the conduct of its business as Owner Trustee under the Trust Agreement.

6. Location of Collateral and Records.

(a) Each of U.S. Trust, in its individual capacity, and AFG represents and warrants that it has and during the last four months has had no principal place of business or offices where such Debtor's books of account and records are kept regarding the Collateral except at the respective addresses to which notices to such entities (including copies thereof (other than copies to counsel)) are required to be sent in accordance with Section 14 hereof.

(b) AFG shall at all times maintain its records as to the Collateral and its principal place of business at the address for it referred to on Schedule B and at none other. The Debtors agree that the Equipment may not be leased except pursuant to the

Equipment Lease and Lease Supplements and to the Lessee, nor shall the Debtors permit the Lessee to locate or use any items of Equipment outside of the geographical area consisting of the contiguous forty-eight states of the United States and the District of Columbia provided, however, that the Debtors shall be permitted to use the Equipment in Canada and Mexico for not more than ninety days in any twelve-month period so long as the Equipment located in Mexico shall not at any time exceed 15% of the aggregate appraised value thereof.

7. Further Assurances.

Each of the Debtors agrees to join with the Bank in executing one or more financing statements or cause to be executed and delivered to the Bank one or more financing statements pursuant to the Uniform Commercial Code or other notices appropriate under applicable law in form reasonably satisfactory to the Bank, and AFG shall pay all filing or recording costs with respect thereto, and all costs of filing or recording this Security Agreement or any other instrument, agreement or document executed and delivered pursuant hereto or to the Loan Agreement (including the cost of all Federal, state or local mortgage, documentary, stamp or other taxes), in each case, in all public offices where filing or recording is deemed by the Bank to be necessary or desirable. Each Debtor hereby authorizes the Bank to take all action at the expense of AFG (including, without limitation, the filing of any Uniform Commercial Code Financing Statements or amendments thereto without the signature of such Debtor) which the Bank may deem necessary or desirable to perfect or otherwise protect the liens and security interests created hereunder and to obtain the benefits of this Security Agreement. Without limiting the generality of the foregoing, the Debtors shall, at the expense of AFG, take and cause to be taken all such actions as the Bank may reasonably request and in order to perfect and continue the perfection of the liens and security interests granted to the Bank in the Collateral, including, without limitation, the filing of the Equipment Lease, Lease Supplements, this Security Agreement and the Lease Assignment with the ICC, and the Bank shall have the right at any time at the expense of AFG to cause the perfection of the security interests granted to the Bank in the Collateral by whatever means deemed by the Bank to be necessary, and the Debtors shall cooperate fully with the Bank in connection therewith.

8. General Covenants.

(a) AFG covenants and agrees that it shall:

(i) furnish the Bank from time to time at the Bank's request written statements and schedules further identifying and describing the Collateral in such detail as the Bank may reasonably require; and

(ii) advise the Bank promptly, in sufficient detail, of any substantial adverse change in the Collateral, and of

the occurrence of any event which would have a material adverse effect on the value of the Collateral or on the Bank's security interest therein.

(b) Each of AFG, as to the Trust Collateral, and the Owner Trustee, as to the Railcar Collateral, covenants and agrees that it shall:

(i) at all times use and, with respect to the Railcar Collateral, cause the Lessee to use the Collateral for lawful purposes only, with all reasonable care and caution pursuant to the terms of the Lease;

(ii) perform and observe with respect to the Collateral all covenants, restrictions and conditions contained in the Loan Agreement providing for payment of taxes, maintenance of insurance and otherwise applicable to Financed Equipment and Borrowing Limit Leases, as though such covenants, restrictions and conditions were fully set forth in this Security Agreement;

(iii) with respect to the Railcar Collateral, cause the Lessee to maintain and repair the Equipment as required by the terms of the Equipment Lease, and duly perform all of its obligations under the Equipment Lease and do, or cause to be done, all things necessary in order to keep each the Equipment Lease in full force and effect;

(iv) comply or (with respect to the Railcar Collateral) cause the Lessee to comply, with all acts, rules, regulations and orders of any legislative, administrative or judicial body or official applicable to the Collateral or any part thereof or to the operation of Debtors' businesses.

(c) Each of U.S. Trust, in its individual capacity and as Owner Trustee, and AFG agrees that it shall perform its respective obligations under the Trust Agreement and shall not amend, supplement or modify the same in any manner without the prior written consent of the Bank. AFG agrees that it shall instruct and require the Owner Trustee to act strictly in accordance with, and not in contravention of, the provisions of this Security Agreement and the other Security Documents and its obligations hereunder and shall cause AFGITC (or any successor Owner Participant) to so instruct and require the Owner Trustee to so act. U.S. Trust, in its individual capacity and as Owner Trustee, agrees that it shall act strictly in accordance with the joint instructions of the Owner Participants under the Trust Agreement.

(d) Each of the Debtors hereby agrees that it shall not, without the prior written consent of the Bank:

(i) amend, modify or supplement the Equipment Lease (other than amendments or modifications to reduce the amount of rent payable under the Equipment Lease as a result of loss, damage

or destruction of any item of Equipment, subject, however, to payment to the Bank of amounts required under Section 2.7 of the Loan Agreement) or grant any indulgence or exercise any option permitted to be exercised thereunder or waive, settle or compromise any claim against the Lessee arising thereunder or substitute any Equipment subject thereto, or consent or agree to any of the foregoing;

(ii) cancel or permit the cancellation of the Equipment Lease (to the extent related to the Lease Supplements) or deliver or permit the delivery of any notice of termination thereunder, or consent or agree to any of the foregoing, except cancellation or termination of any such Equipment Lease in the event that the Equipment shall be totally destroyed or substantially damaged, but only if the Bank shall have received all prepayments on the Railcar Loan as required by Section 2.7 hereof of the Loan Agreement; or

(iii) sell, assign or otherwise dispose of any of its interest in the Collateral, or any part thereof, except if no Default or Event of Default shall exist under the Loan Agreement and (i) if such sale or other disposition is to a purchaser other than a Fund (as defined in the Loan Agreement), simultaneously with the consummation of such AFG shall repay the Railcar Loan, including all interest accrued thereon, in full and (ii) if such sale is to a Fund (and the Railcar Loan and interest thereon is not paid in full simultaneously therewith), AFG shall have given the Bank at least two Business Days' notice of such transfer and AFG, the Fund and the Owner Trustee shall have complied with the requirements of Section 7.11(c)(ii) of the Loan Agreement.

9. Assignment of Insurance.

(a) The Owner Trustee shall require the Lessee to maintain insurance in scope and amount on the Railcar Collateral as required by the terms of the Equipment Lease. Each of the Debtors shall pay over to the Bank all sums it receives, whether directly or indirectly, from the Lessee which may have become payable under or in respect of any policy of insurance owned by the Lessee.

(b) The Owner Trustee shall, within thirty (30) days of the request of the Bank, deliver to the Bank certificates of the issuing companies with respect to, and endorsements of any and all policies of insurance owned by, the Lessee covering or in any manner relating to, the Collateral, in form and substance satisfactory to the Bank, naming the Bank as loss payee and an additional insured as its interest may appear, indicating that the policy will not be terminated, or reduced in coverage or amount, without at least thirty (30) days' prior written notice from the insurer to the Bank. All sums received by the Bank under any such insurance policies shall be applied by the Bank to the Obligations or, to the extent that such sums represent unearned premiums in respect of any policy of insurance on the Collateral refunded by

reason of cancellation, toward payment for similar insurance protecting the respective interests of the Debtors and the Bank, or as otherwise required by applicable law and to the extent not so applied shall be paid over to AFG.

10. Collections.

In the event of the occurrence of any Event of Default or if the Bank exercises the rights granted to it under Section 2.13 of the Loan Agreement, each of AFG and U.S. Trust, in its individual capacity and as Owner Trustee, at the request of the Bank, shall immediately cause all checks, drafts, payments under the Equipment Lease (to the extent related to the Lease Supplements or the Equipment), cash or other remittances in payment of any of its accounts, contract rights or general intangibles constituting part of the Collateral, to be delivered directly to the Bank, such items to be delivered to the Bank in the same form received, endorsed or otherwise assigned by the Debtor delivering the same where necessary to permit collection of items and, regardless of the form of such endorsement, each of AFG and U.S. Trust, in its individual capacity and as Owner Trustee, hereby waives presentment, demand, notice of dishonor, protest, notice of protest and all other notices with respect thereto. AFG shall deliver a remittance report in form supplied or approved by the Bank with each such remittance and all such remittances shall be applied and credited by the Bank first to the Obligations then due and then applied to Obligations to become due, or as otherwise required by applicable law, and to the extent not so credited or applied, shall be paid over to AFG.

11. Rights and Remedies on Default.

(a) In the event of the occurrence of any Event of Default, the Bank shall at any time thereafter have the right, itself or through any of its agents, without notice to the Debtors, except as hereinafter provided, as to any or all of the Collateral, but subject, to the extent applicable, to the Lessee's right of quiet enjoyment, by any available judicial procedure, or without judicial process, to take possession of the Collateral and without liability for trespass to enter any premises where the Collateral may be located for the purpose of taking possession of or removing the Collateral, and, generally, to exercise any and all rights afforded to a secured party under the Uniform Commercial Code or other applicable law. Without limiting the generality of the foregoing, each Debtor agrees that the Bank shall have the right to sell, lease, or otherwise dispose of all or any part of the Collateral, whether in its then condition or after further preparation or processing, either at public or private sale or at any broker's board, in lots or in bulk, for cash or for credit, with or without warranties or representations, and upon such terms and conditions, all as the Bank in its sole discretion may deem advisable, and it shall have the right to purchase at any such sale; and, if any Collateral shall require rebuilding, repairing, maintenance, preparation, or is in process or other unfinished

state, the Bank shall have the right, at its option, to do such rebuilding, repairing, preparation, processing or completion of manufacturing, for the purpose of putting the Collateral in such saleable or disposable form as it shall deem appropriate. Each Debtor hereby agrees that a notice sent at least five (5) days before the time of any intended public sale or of the time after which any private sale or other disposition of the Collateral is to be made, shall be reasonable notice of such sale or other disposition. At the Bank's request, the Debtors shall assemble the Collateral and make it available to the Bank at such reasonable places as the Bank shall select. The proceeds of any such sale, lease or other disposition of the Collateral shall be applied first, to the expenses of retaking, holding, storing, processing and preparing for sale, selling, lease, leasing and the like, and to the reasonable attorneys' fees and legal expenses incurred by the Bank, and then to the Obligations, and to the payment of any other amounts required by applicable law, after which the Bank shall account to the Debtors for any surplus proceeds. If, upon the sale, lease or other disposition of the Collateral, the proceeds thereof are insufficient to pay all amounts to which the Bank is legally entitled, the Debtors shall be jointly and severally liable for the deficiency, together with interest thereon, at the rate prescribed in the Loan Agreement, and the reasonable fees of any attorneys employed by the Bank to collect such deficiency; provided, however, that the foregoing shall not be deemed to require the Bank to resort to or initiate proceedings against the Collateral prior to the collection of any such deficiency from the Debtors. To the extent permitted by applicable law, each Debtor waives all claims, damages and demands against the Bank arising out of the repossession, removal, retention or sale or lease of the Collateral.

(b) Notwithstanding anything in this Security Agreement to the contrary, the Bank shall have no recourse to any Collateral owned by a Fund or to any Collateral owned by the Owner Trustee to the extent that such Collateral or Trust Collateral shall secure Obligations of a Fund, except to the extent that a Transferee Event of Default, as defined in the Transferee Agreement executed by such Fund, shall have occurred or exist under such Transferee Agreement.

12. Costs and Expenses.

Any and all fees, costs and expenses, of whatever kind or nature, including the reasonable attorneys' fees and legal expenses incurred by the Bank in connection with the preparation of this Security Agreement and all other documents relating hereto and the consummation of the transactions contemplated by the Loan Agreement, the filing or recording of financing statements, this Security Agreement, Security Documents Supplements, the Lease Assignment, and other documents (including all taxes in connection therewith) in public offices, the payment or discharge of any taxes, insurance premiums, encumbrances or otherwise protecting, maintaining or preserving the Collateral, or the enforcing, foreclosing, retaking, holding, storing, processing, selling

leasing or otherwise realizing upon the Collateral and the Bank's security interest therein, whether through judicial proceedings or otherwise, or in defending or prosecuting any actions or proceedings arising out of or related to the transaction to which this Security Agreement relates, shall be borne and paid by AFG on demand by the Bank and until so paid shall be added to the Obligations and shall bear interest at the Post-Default Rate.

13. Power of Attorney.

Each Debtor authorizes the Bank and does hereby make, constitute and appoint the Bank, and any officer, employee or agent of the Bank, with full power of substitution, as such Debtor's true and lawful attorney-in-fact, effective as of the date hereof, with power, in its own name or in the name of such Debtor, to endorse any notes, checks, drafts, money orders, or other instruments of payment (including payments payable under or in respect of any policy of insurance) in respect of the Collateral that may come into possession of the Bank, including, without limitation, to sign and endorse any invoice, freight or express bill, bill of lading, storage or warehouse receipts, drafts against debtors, assignments, verifications and notices in connection with accounts, and other documents relating to Collateral; to pay or discharge taxes, liens, security interests or other encumbrances at any time levied or placed on or threatened against the Collateral; to demand, collect, receipt for, compromise, settle and sue for monies due in respect of the Collateral; to notify the Lessee and persons obligated with respect to the Collateral to make payments directly to the Bank when permitted to do so hereunder or under the Loan Agreement; and, generally, to do, at the Bank's option and at AFG's expense, at any time, or from time to time, all acts and things which the Bank deems necessary to protect, preserve and realize upon the Equipment Lease and the other Collateral and the Bank's security interest therein in order to effect the intent of this Security Agreement and of the Loan Agreement, all as fully and effectually as such Debtor might or could do; and such Debtor hereby ratifies all that said attorney shall lawfully do or cause to be done by virtue hereof. This power of attorney shall be irrevocable for the term of this Security Agreement and thereafter as long as any of the Obligations shall be outstanding.

14. Notices.

All notices, requests and other communications pursuant to this Security Agreement shall be in writing, and shall be delivered personally, by registered or certified mail, postage prepaid, return receipt requested, or by facsimile, with electronic confirmation of receipt, addressed as follows:

(a) if to the Borrower:

American Finance Group
Exchange Place
Boston, Massachusetts 02109
Attention: Vice President-Finance
(and with a separate notice at the same
address to the attention of the General Counsel)
Facsimile #: (617) 523-1410

(b) if to the Bank:

National Westminster Bank USA
175 Water Street
New York, New York 10038
Attention: Leasing Department
Facsimile #: (212) 602-2180

with a copy to:

Rosenman & Colin
575 Madison Avenue
New York, New York 10022
Attention: Shephard W. Melzer, Esq.
Facsimile #: (212) 940-8574

(c) if to the Owner Trustee:

U.S. Trust Company of California, N.A.
555 South Flower Street
Los Angeles, California 90071
Attn: Corporate Trust Administration
Facsimile #: (213) 489-3371

With a copy to:

United States Trust Company of New York
114 West 47th Street
New York, New York 10021
Attn: Louis P. Young
Corporate Trust and Agency Division
Facsimile #: (212) 852-1625

Any notice, request or communication hereunder shall be deemed to have been duly given when received, if sent by personal delivery, or five (5) Business Days after deposit with a United States Postal Depository, if sent by registered or certified mail, and when transmitted, if sent by facsimile, addressed as aforesaid. Any notice by facsimile shall be confirmed by regular first class or by registered or certified mail, sent to the address as provided above, within one (1) Business Day of transmission of such facsimile notice. Any party may change the person or address to whom or which the notices are to be given hereunder, by notice duly given hereunder; provided, however, that any such notice shall be

deemed to have been given hereunder only when actually received by the party to which it is addressed.

15. Other Security.

To the extent that the Obligations are now or hereafter secured by property other than the Collateral or by the guarantee, endorsement or property of any other person, firm, corporation or other entity, then the Bank shall have the right in its sole discretion to pursue, relinquish, subordinate, modify or take any other action with respect thereto, without in any way modifying or affecting any of the Bank's rights and remedies hereunder.

16. Miscellaneous.

(a) Beyond the safe custody thereof, the Bank shall have no duty as to the collection of any Collateral in its possession or control or in the possession or control of any agent or nominee of the Bank, or any income thereon or as to the preservation of rights against prior parties or any other rights pertaining thereto.

(b) No course of dealing between either of the Debtors and the Bank, nor any failure to exercise, nor any delay in exercising, on the part of the Bank with respect to any right, power or privilege hereunder or under the Loan Agreement shall operate as a waiver thereof; nor shall any single or partial exercise of any right, power or privilege hereunder or thereunder preclude any other or further exercise thereof or the exercise of any other right, power or privilege. The remedies provided herein are cumulative and not exclusive of any remedies provided by law.

(c) All of the Bank's rights and remedies with respect to the Collateral, whether established hereby or by the Loan Agreement, or by any other agreements, instruments or documents or by law shall be cumulative and may be exercised singly or concurrently.

(d) The provisions of this Security Agreement are severable, and if any clause or provision shall be held invalid or unenforceable in whole or in part in any jurisdiction, then such invalidity or unenforceability shall affect only such clause or provision, or part thereof, in such jurisdiction and shall not in any manner affect such clause or provision in any other jurisdiction, or any other clause or provision of this Security Agreement in any jurisdiction.

(e) This Security Agreement may not be amended or modified, nor may any provision hereof be waived, except by a writing signed by the parties.

(f) The benefits and burdens of this Security Agreement shall inure to the benefit of and be binding upon the respective successors and assigns of the parties; provided, however, that the

rights and obligations of the Debtors under this Security Agreement shall not be assigned or delegated without the prior written consent of the Bank, and any purported assignment or delegation without such consent shall be void.

(g) This Security Agreement shall be governed by, and construed and enforced in accordance with, the laws of the State of New York.

(h) This Security Agreement, the Guaranty, the Assignment of Lease being executed and delivered by the Owner Trustee concurrently herewith and the other documents being executed and delivered in connection with the Railcar Loan shall each constitute a Loan Document and Security Document for purposes of the Loan Agreement, and the Equipment shall constitute Financed Equipment and the Equipment Lease shall constitute a Borrowing Limit Lease for purposes thereof.

17. Indemnity.

(a) Each Debtor jointly and severally covenants and agrees to indemnify and hold harmless the Bank, and its officers, directors, employees, agents, attorneys-in-fact and affiliates, from and against any and all claims, suits, losses, penalties, demands, causes of action and judgments of any nature whatsoever and all liabilities and indebtedness of any and every kind and nature now or hereafter owing, arising, due or payable, including all costs and expenses (including attorneys' fees and expenses) (all of the foregoing being herein collectively called "Liabilities"), which may be imposed on, incurred by or asserted against any of them in connection with (i) the ownership or use of any of the Collateral or the security interest of the Bank in the Collateral, (ii) the failure on the part of either Debtor to comply and to cause the Lessee and users under the Equipment Lease to comply in all respects with the laws of the United States of America and other jurisdictions in which the Collateral or any part thereof may be operated and with all lawful acts, rules, regulations and orders of any commissions, boards or other legislative, executive, administrative or judicial bodies or officers having power to regulate or supervise any of the Collateral, and (iii) the execution, delivery, consummation, waiver, consent, amendment, enforcement, performance and administration of this Security Agreement, the Loan Agreement, the Security Documents, the Security Documents Supplements and the other Loan Documents, or the use by the Debtors of the proceeds of each extension of credit under the Loan Agreement; provided, however, that the Debtors shall not have any obligation with respect to Liabilities arising solely and directly from the gross negligence or willful misconduct of the Bank.

(b) The Debtors agree, jointly and severally, to defend and pay all costs, expenses and judgments incurred by them or the Bank in any action brought against either or both of the Debtors under the Equipment Lease or in any actions brought by the Bank

pursuant to this Security Agreement whether under or pursuant to the provision of the Equipment Lease or to enforce any provisions of the Equipment Lease.

(c) The obligations of the Debtors under this Section 17 shall survive the termination of this Security Agreement.

18. Limitation of Liability.

It is expressly understood and agreed that, except for the provisions of Sections 3, 5, 6(a), 7, 8(c) and 10, which shall be binding upon U.S. Trust individually and in its capacity as Owner Trustee, all agreements, representations, warranties and undertakings of the Owner Trustee hereunder shall be binding upon U.S. Trust only in its capacity as Owner Trustee under the Trust Agreement and U.S. Trust not be personally liable for or on account of, nor shall the Bank have any recourse against U.S. Trust or its assets with respect to, any statements, representations, warranties, covenants or obligations stated to be those of the Owner Trustee hereunder except that U.S. Trust (or any successor Owner Trustee) shall be personally liable for its gross negligence or willful misconduct.

19. Termination and Release of Security Interest.

The Bank hereby agrees that upon the payment in full of the Railcar Loan in accordance with the Loan Agreement, including all interest accrued thereon and other amounts owed to the Bank in connection therewith, and provided that there is no existing Default or Event of Default (or, with respect to release of Collateral owned by a Fund, there is no existing Default or Event of Default with respect to any Loan to such Fund), the Bank's security interest under this Agreement shall be deemed terminated and released, and that, upon the written request of and at the expense of AFG, the Bank shall, within a reasonable period of time, return to such Debtor the Lease Supplements and other original lease documentation in its possession relating to such Collateral and shall execute and deliver to such Debtor, solely with respect to such items of Collateral, such UCC amendments and other releases, terminations or reassignments as shall be reasonably requested by either of the Debtors to effectuate or confirm such release of the Bank's security interest in such items of collateral.

20. Term of Agreement.

The term of this Security Agreement shall commence on the date hereof and shall continue in full force and effect, and be binding upon the Debtors, until the Railcar Loan and the Obligations related thereto have been fully paid and performed and such payment and performance has been acknowledged in writing by the Bank, whereupon this Security Agreement shall terminate. Notwithstanding the foregoing, if after receipt of any payment of all or any part of such Obligations, the Bank is for any reason

compelled to surrender such payment to any person or entity because such payment is determined to be void or voidable as a preference, an impermissible set-off, a diversion of trust funds or for any other reason, this Security Agreement shall continue in full force and effect and the Debtors shall be liable to, and shall indemnify and hold the Bank harmless for, the amount of such payment surrendered until the Bank shall have been finally and irrevocably paid in full. The provisions of the foregoing sentence shall be and remain effective notwithstanding any contrary action which may have been taken by the Bank in reliance upon such payment, and any contrary action so taken shall be without prejudice to the rights of the Bank under this Security Agreement and shall be deemed to have been conditioned upon such payment having become final and irrevocable.

Section 21. Counterparts.

This Security Agreement may be executed in any number of counterparts with the same effect as if the signatures thereto and hereto were upon the same instrument.

[Remainder of page intentionally left blank]

WITNESS the execution hereof as of the day and year first
above written.

AMERICAN FINANCE GROUP

By: Katherine S. Delano
Title VP Finance

U.S. TRUST COMPANY OF CALIFORNIA, N.A.,
in its individual capacity, only as
expressly set forth herein, and otherwise
solely as Owner Trustee under the Trust
Agreement

By: _____
Title

NATIONAL WESTMINSTER BANK USA,

By: _____
Title

WITNESS the execution hereof as of the day and year first above written.

AMERICAN FINANCE GROUP

By: _____
Title

U.S. TRUST COMPANY OF CALIFORNIA, N.A.,
in its individual capacity, only as
expressly set forth herein, and otherwise
solely as Owner Trustee under the Trust
Agreement

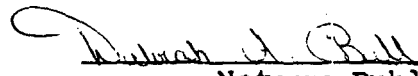
By:
Title Authorized Signatory

NATIONAL WESTMINSTER BANK USA,

By: Harman C. Mehta
Title VICE PRESIDENT

COMMONWEALTH OF MASSACHUSETTS)
) ss.:
COUNTY OF SUFFOLK)

On the 19th day of April, 1993, before me personally came
Katherine S. Delano, to me known, who, being by me duly sworn, did
depose and say: that ~~he~~/she is the Vice President Finance of AMERICAN
FINANCE GROUP, a Massachusetts general partnership described in and
which executed the foregoing instrument; and that ~~he~~/she signed
~~his~~
~~xxx~~/her name thereto by order of the Executive Committee of said
partnership.



Notary Public
My Commission Expires 11/26/93

STATE OF NEW YORK)
) ss.:
COUNTY OF NEW YORK)

On the 19th day of APRIL, 1993, before me personally came LOUIS P. YOUNG, to me known, who, being by me duly sworn, did depose and say: that he/she is an AUTHORIZED SIGNATORY of U.S. TRUST COMPANY OF CALIFORNIA, N.A., a national banking association described in and which executed the foregoing instrument as Owner Trustee; and that he/she signed his/her name thereto by order of the Board of Directors of said corporation.

Ellen Warren
Notary Public

ELLEN WARREN
Notary Public, State of New York
No. 31-4547374
Qualified in New York County
Commission Expires July 31, 1993

STATE OF NEW YORK)
)
COUNTY OF NEW YORK)

ss.:

On the 19th day of April, 1993, before me personally came HARRIS C. MELES, to me known, who, being by me duly sworn, did depose and say: that he/she is a VICE PRESIDENT of NATIONAL WESTMINSTER BANK USA, a national banking association described in and which executed the foregoing instrument; and that he/she signed his/her name thereto by order of the Board of Directors of said corporation.



Notary Public

ELLEN WARREN
Notary Public, State of New York
No. 31-4647374
Qualified in New York County
Commission Expires July 31, 1993

SCHEDULE A

LESSEE: SOUTHERN PACIFIC TRANSPORTATION CO

RENTAL SCHEDULE AND ACCEPTANCE CERTIFICATE NUMBER: A-2

LESSOR: AMERICAN FINANCE GROUP

Equipment Cost	Serial Number	Year Manufacturer	Model	Type	Acceptance Date
400,000.00	SP-9308	GENERAL MOTORS	SD-45-T2	REBUILT DIESEL ELECTRIC	3/31/1993
400,000.00	SP-9328	GENERAL MOTORS	SD-45-T2	REBUILT DIESEL ELECTRIC	3/31/1993
400,000.00	SP-9337	GENERAL MOTORS	SD-45-T2	REBUILT DIESEL ELECTRIC	3/31/1993
400,000.00	SP-9345	GENERAL MOTORS	SD-45-T2	REBUILT DIESEL ELECTRIC	3/31/1993
400,000.00	SP-9347	GENERAL MOTORS	SD-45-T2	REBUILT DIESEL ELECTRIC	3/31/1993
2,000,000.00	Total for Location SOUTHERN PACIFIC BLDG., ROOM 666			SAN FRANCISCO	CA 94105

SCHEDULE A

LESSEE: SOUTHERN PACIFIC TRANSPORTATION CO

RENTAL SCHEDULE AND ACCEPTANCE CERTIFICATE NUMBER: A-3

LESSOR: AMERICAN FINANCE GROUP

Equipment Cost	Serial Number	Year Manufacturer	Model	Type	Acceptance Date
400,000.00	SP-9359	GENERAL MOTORS	SD-45-T2	REBUILT DIESEL ELECTRIC	3/31/1993
400,000.00	SP-9362	GENERAL MOTORS	SD-45-T2	REBUILT DIESEL ELECTRIC	3/31/1993
400,000.00	SP-9373	GENERAL MOTORS	SD-45-T2	REBUILT DIESEL ELECTRIC	3/31/1993
400,000.00	SP-9385	GENERAL MOTORS	SD-45-T2	REBUILT DIESEL ELECTRIC	3/31/1993

1,600,000.00 Total for Location SOUTHERN PACIFIC BLDG., ROOM 666 SAN FRANCISCO CA 94105

1,600,000.00 Total Equipment Cost

SCHEDULE A

LESSEE: SOUTHERN PACIFIC TRANSPORTATION CO

RENTAL SCHEDULE AND ACCEPTANCE CERTIFICATE NUMBER: A-4

LESSOR: AMERICAN FINANCE GROUP

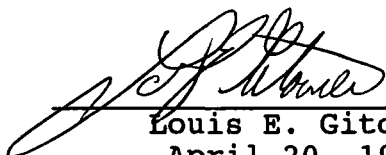
Equipment Cost	Serial Number	Year Manufacturer	Model	Type	Acceptance Date
400,000.00	SP-9392	GENERAL MOTORS	SD-45-T2	REBUILT DIESEL ELECTRIC	3/31/1993
400,000.00	SP-9395	GENERAL MOTORS	SD-45-T2	REBUILT DIESEL ELECTRIC	3/31/1993
400,000.00	SP-9400	GENERAL MOTORS	SD-45-T2	REBUILT DIESEL ELECTRIC	3/31/1993
400,000.00	SP-9401	GENERAL MOTORS	SD-45-T2	REBUILT DIESEL ELECTRIC	3/31/1993

1,600,000.00	Total for Location SOUTHERN PACIFIC BLDG., ROOM 666		SAN FRANCISCO		CA 94105

1,600,000.00	Total Equipment Cost				

CERTIFICATION

I, LOUIS E. GITOMER, have compared this copy of the Security Agreement made April 20, 1993, and found the copy to be complete and identical in all respects to the original document. I declare under penalty of perjury that the foregoing is true and correct.

A handwritten signature in dark ink, appearing to read "Louis E. Gitomer", is written over a horizontal line.

Louis E. Gitomer
April 20, 1993